CRP: Planting for the Future

Presentation by
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CRP Policy Recommendations

- Shift program away from idling whole farms; emphasize water quality more
- Reassess policy of a 25% cap on acres in each county
- Consider factors shaping global food economy; adjust the overall CRP cap downward to permit agricultural growth

CRP Impacts on Local Communities

- Ellis County, Okla
  - 63,000 CRP Acres
  - 97,000 Harvested Acres
  - Effective Acreage Cap – 40%
- Harmon County, Okla
  - 51,000 CRP Acres
  - 84,000 Harvested Acres
  - Effective Acreage Cap – 38%

CRP Impacts on Local Communities (Cont.)

- North Dakota study says recreational activity returns only 26% of lost revenue from farming
- CRP is eroding agriculture infrastructure such as rail lines in heavy CRP areas

CRP Impacts on Local Communities (Cont.)

- Idaho: Cooperative with 6 facilities going out of business, largely because 45,000 acres in CRP near Moscow

- Adams County, Washington: Two hundred thousand acres in CRP (tops in the nation) is driving business and population away

CRP Impact on Tenant Farms

- Farm Programs (including CRP):
  - Inflate land values
  - Cause program benefits to flow mostly to land owners
- CRP is worse than other facets of farm program in two respects:
  - It intensifies economic pressure on the tenant farmer by: Raising average production costs through higher land costs and fewer units of production

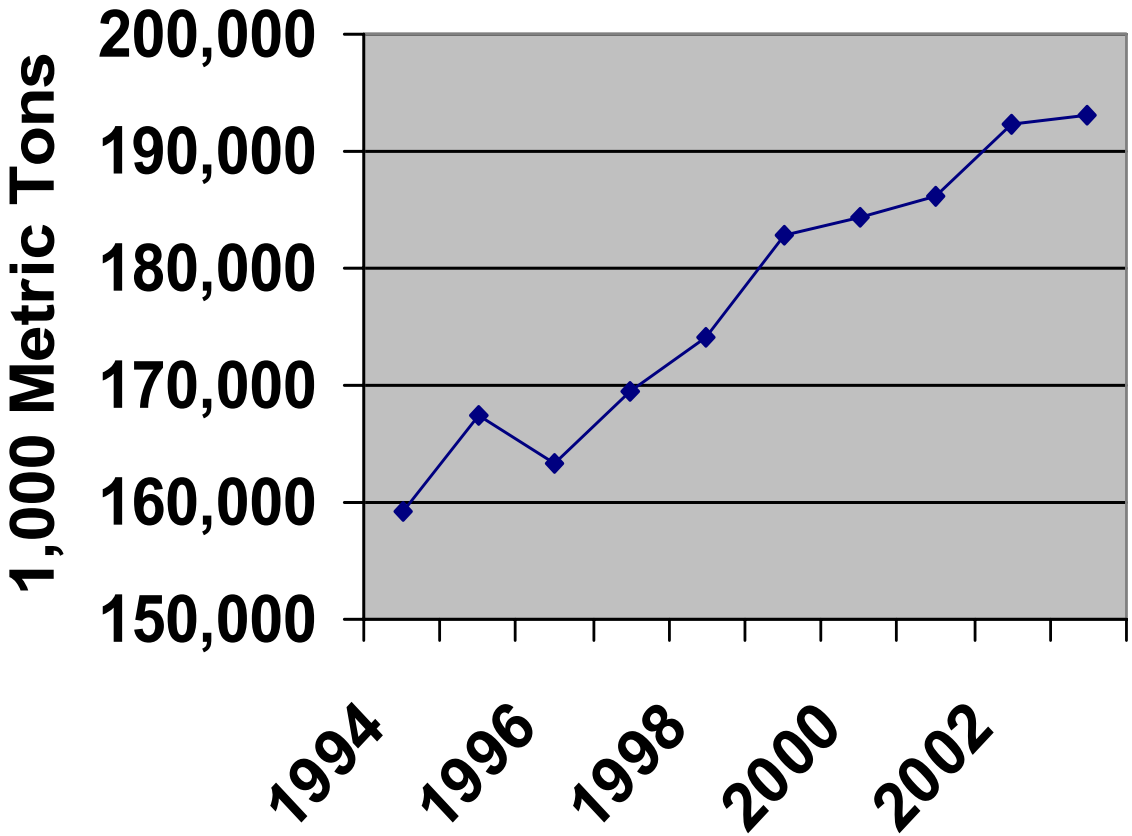
(70% of all active farmland is rented to tenants)

Overall Impact of CRP

- Supply controls don't raise prices permanently
- USDA economists: "Seventy years of farm programs have taught us that supply controls are unworkable."
- Over time CRP (or any other land idling program) forces U.S. market share downward

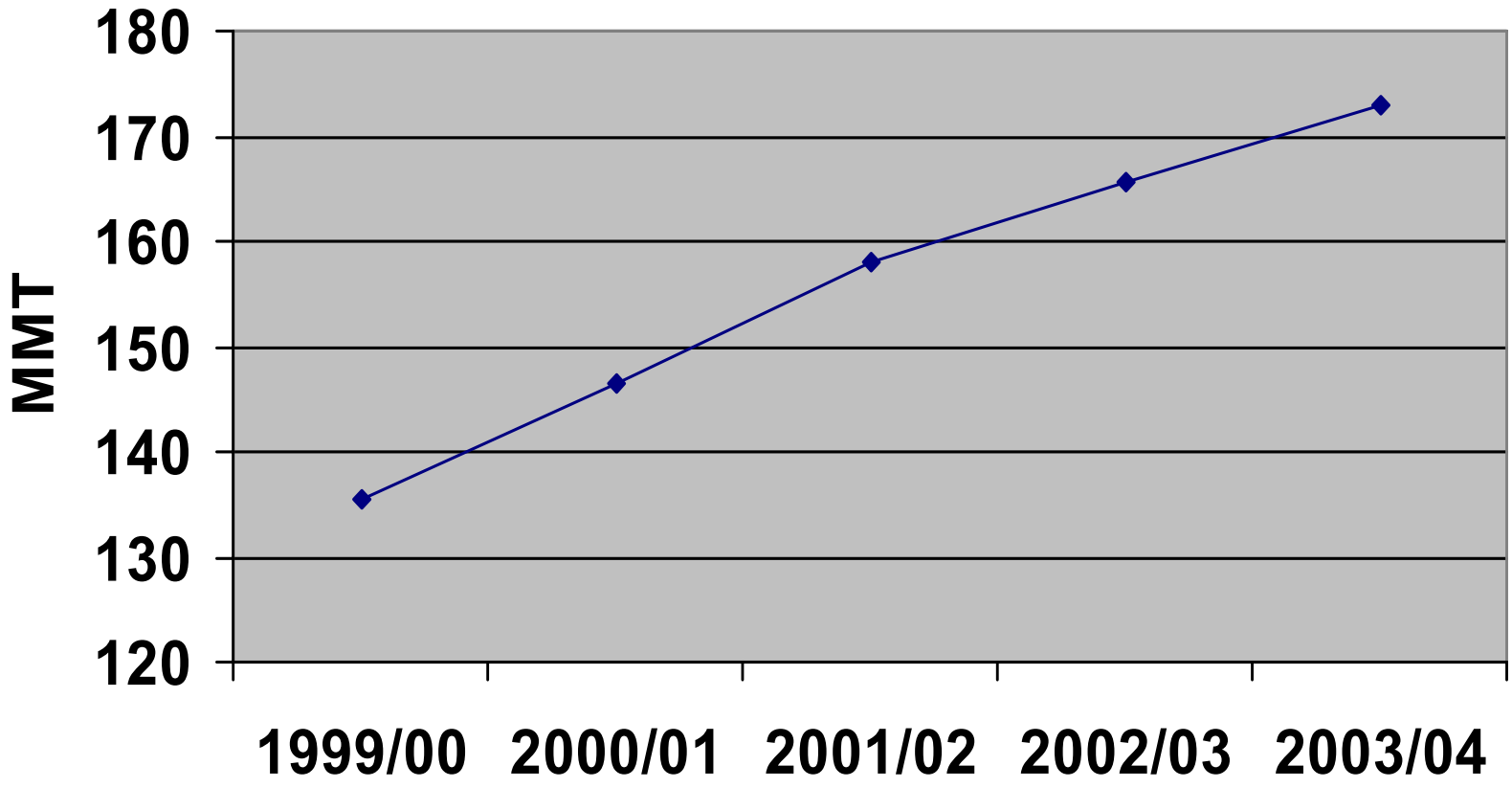
Future Growth Opportunities

Figure 1 - Global Meat Consumption



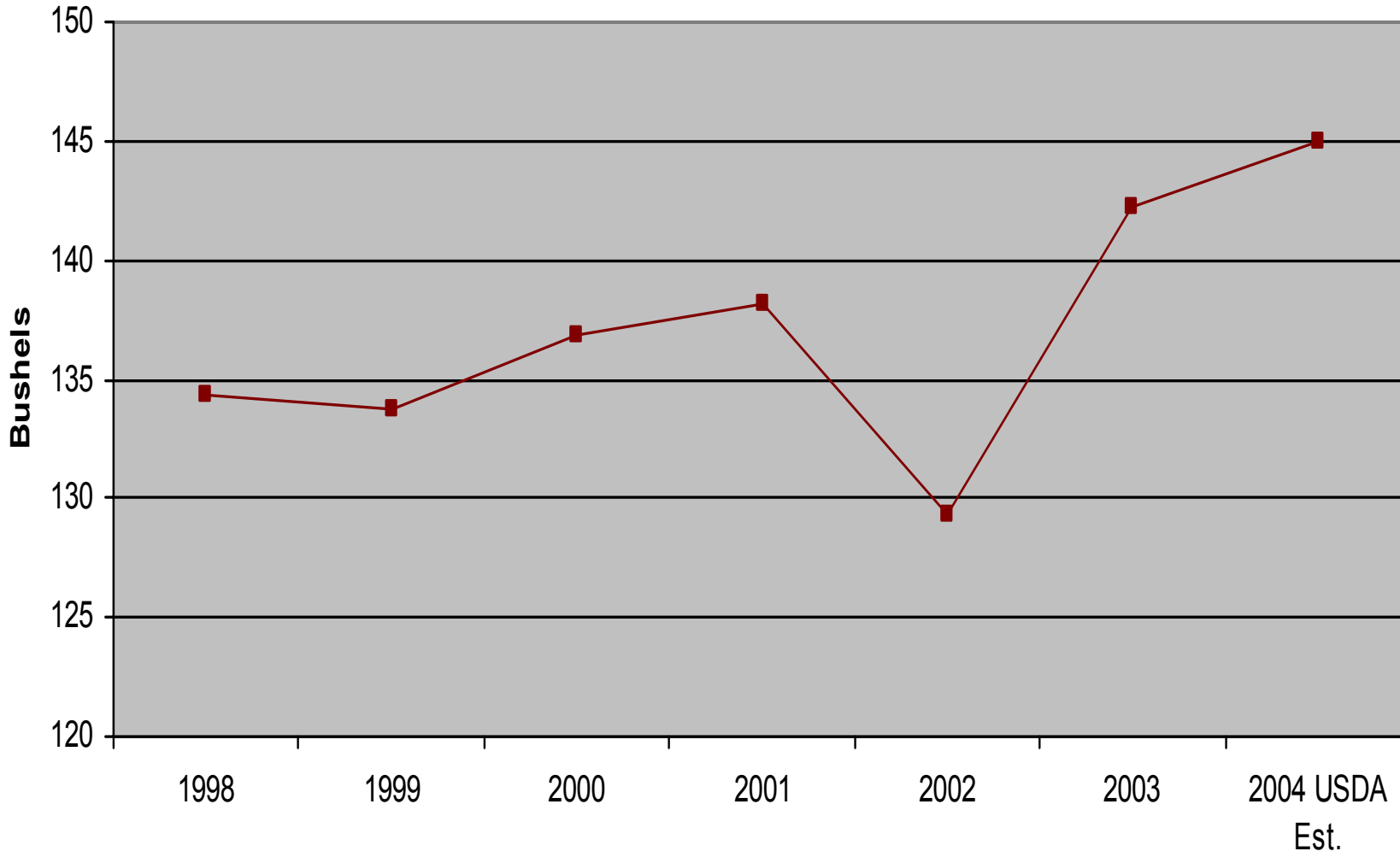
Future Growth Opportunities

Figure 2 - World Soybean Crush

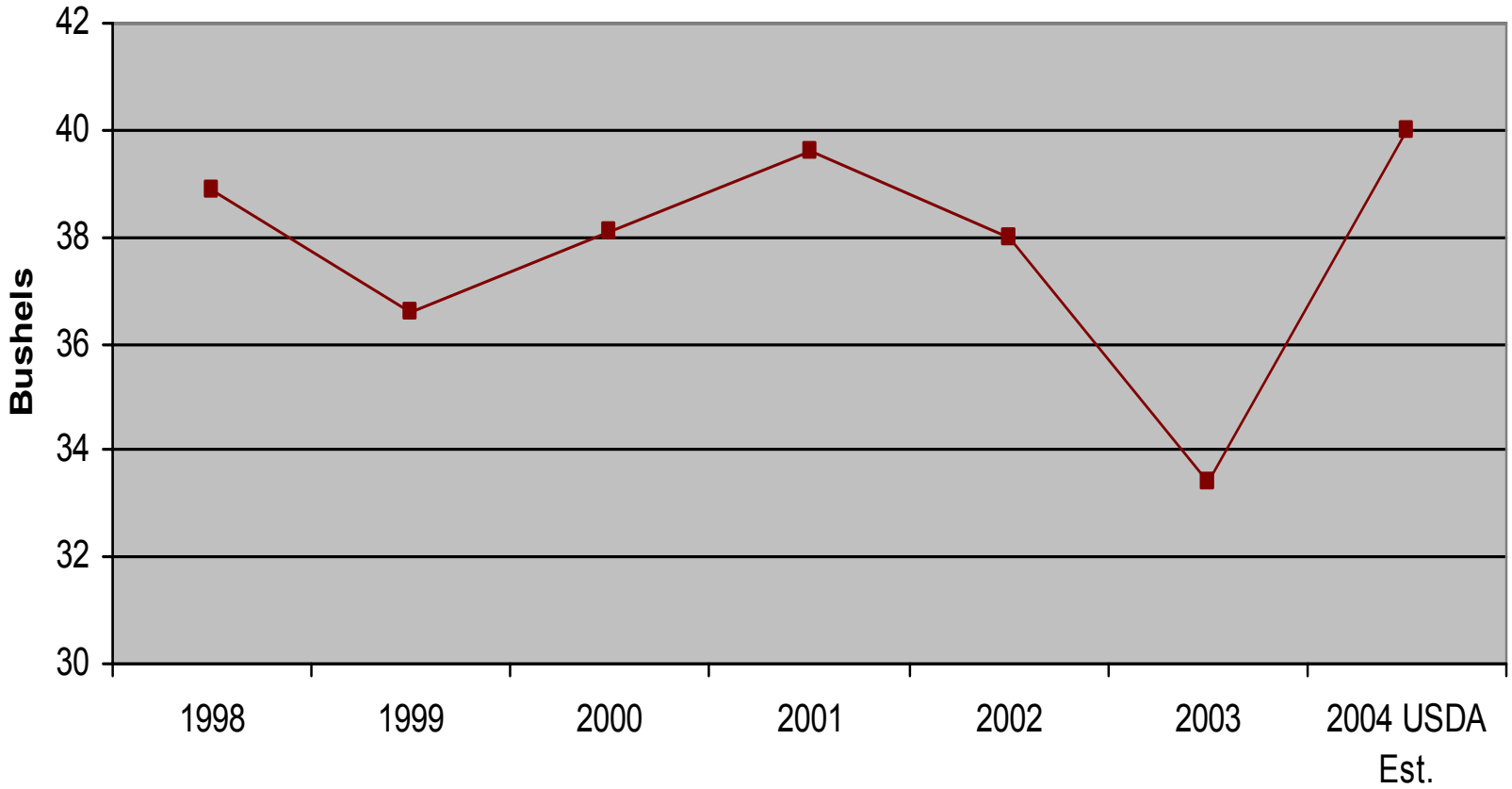


	2004-2005 USDA Baseline (Feb. 2004)	USDA/WASDE (May 2004)
Corn Ending Stocks	1,289	741
Wheat Ending Stocks	735	499
Soybeans Ending Stocks	186	190

Corn Yields per Acre 1998-2004

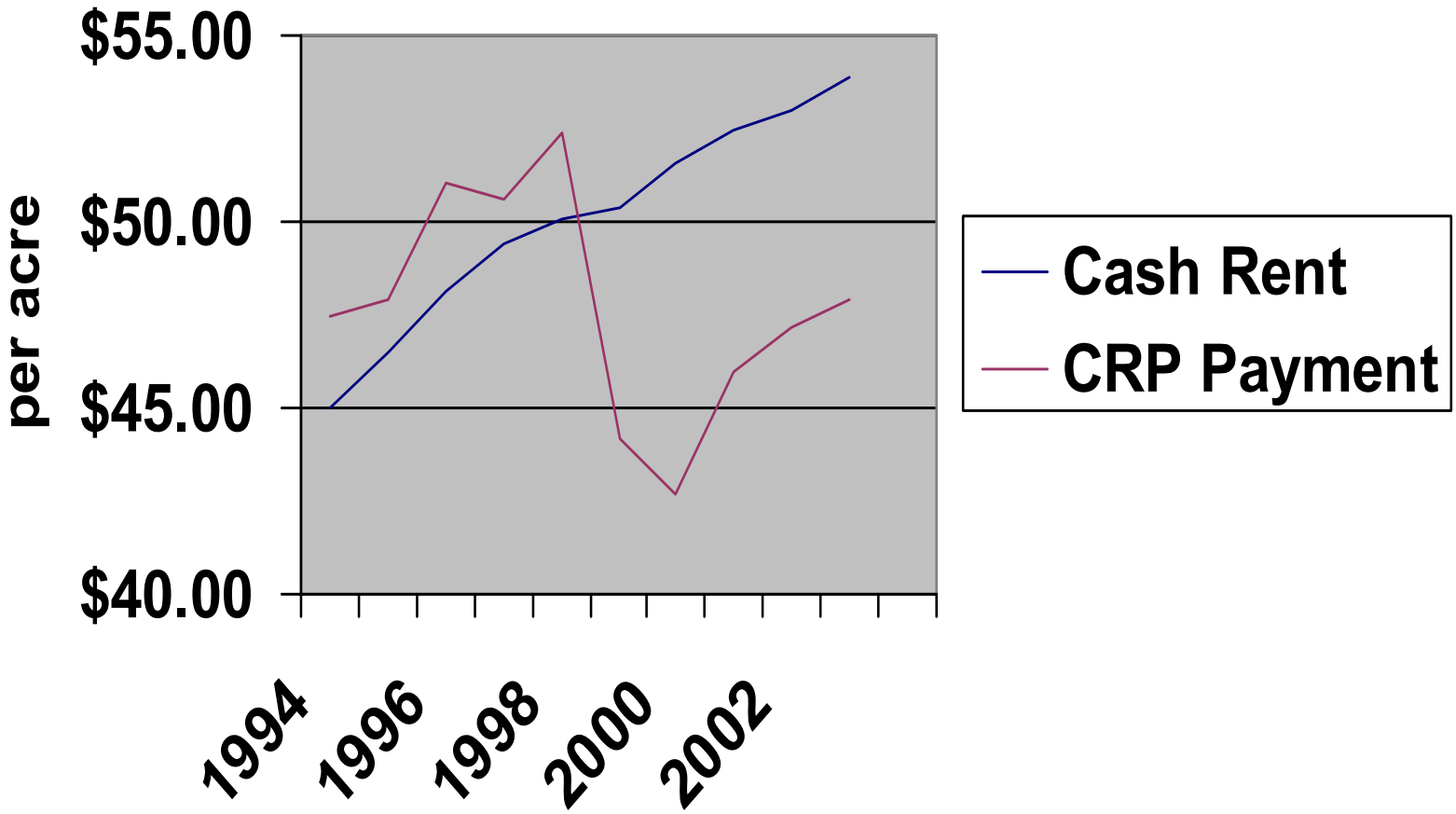


Soybean Yields per Acre 1998-2004



	2004-2005 USDA Baseline (Feb. 2004)	USDA (May 2004)	Assume Crop Avg. Yield 1999-2003
Corn Ending Stocks	1,289	741	224
Wheat Ending Stocks	735	499	476
Soybeans Ending Stocks	186	190	48

Figure 6 -
National Cash Rent versus CRP Rent



Conclusions

- Reduce number of CRP acres in whole farms to:
  - Enhance ability of U.S. tenant farmers to compete globally (70% of U.S. farms are managed by tenant farmers)
  - Focus more attention on water quality

Conclusions (Cont.)

- Reduce the cap on overall acres to allow the U.S. to participate in global growth; begin to ease acres back into production before 2007
- In an effort to reduce adverse impacts on local economics, seriously consider reducing the 25% cap in individual counties